

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07
TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 DODE-00 H-01
INT-05 L-03 NSC-05 PA-01 CTME-00 SS-15 ITC-01
USIA-06 SOE-02 DOE-15 /132 W

-----119808 241357Z/14

P 241351Z MAR 78

FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC PRIORITY 5687

INFO USMISSION GENEVA

AMEMBASSY TOKYO
AMEMBASSY SEOUL
AMEMBASSY MADRID
AMEMBASSY BERLIN
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY BUDAPEST
AMEMBASSY WARSAW
AMEMBASSY BELGRADE

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USEEC

PARIS FOR USOECD

GENEVA ALSO MTN

E.O. 11652: N/A

TAGS: EEC, ETRD

SUBJECT: EC BILATERALS WITH STEEL SUPPLIERS

REF: (A) BRUSSELS 5034; (B) BRUSSELS 5844

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1. DURING US/EC STEEL TALKS HELD ON MARCH 23 (SEPTEL)
COMMISSIONER DAVIGNON SAID HE WAS CONFIDENT THE EC
WOULD COMPLETE ITS BILATERAL STEEL AGREEMENTS BY MID-APRIL
AT THE LATEST AND BRIEFED US SIDE ON THEIR STATUS AS
FOLLOWS: THE EC SUCCESSFULLY CONCLUDED ITS MOST IMPORTANT
BILATERAL - THAT WITH JAPAN LAST WEEK (REFTEL A). SPAIN
AND SOUTH KOREA WILL PROBABLY BE LINED UP BY THE END OF

NEXT WEEK.

2. IT APPEARS THAT AGREEMENT WILL BE REACHED SOON WITH CZECHOSLOVAKIA. THIS SIGNIFICANT BECAUSE IT WILL BE THE FIRST STEEL AGREEMENT BETWEEN THE EC AND AN EASTERN EUROPEAN COUNTRY AND BECAUSE IT WAS MADE WITH A QUOTE HARD LINER UNQUOTE.

3. THE COMMISSION HAS LITTLE HOPE THE GDR AND THE USSR WILL NEGOTIATE, BUT OTHER EAST EUROPEANS WERE PRIVATELY DELIGHTED TO SEE THE EC SOCKING THE GDR WITH ANTI-DUMPING DUTIES SINCE FOR A LONG TIME THE GDR ENJOYED A SPECIAL ADVANTAGE OVER OTHER EAST EUROPEANS BY VIRTUE OF ITS TIES WITH THE FRG.

4. THE TERRITORIAL APPLICATION CLAUSE REGARDING BERLIN WOULD NOT FIGURE SPECIFICALLY IN THE AGREEMENTS BUT WOULD OPERATE DE FACTO. THE IMPORT PRICE PENETRATION MARGIN FORMULA USED WITH THE JAPANESE, SIX PERCENT FOR ORDINARY STEELS AND FOUR PERCENT FOR SPECIALTY STEELS, WILL LIKELY BE APPLIED TO OTHER SUPPLIERS.

5. IF THESE ARRANGEMENTS DO NOT WORK, THE COMMISSION IS READY TO EXAMINE THE CAUSES AND IS PREPARED TO CHANGE THE VARIABLE ELEMENTS. THE PRINCIPAL PROBLEMS WHICH THE LIMITED OFFICIAL USE

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EC COULD ANTICIPATE WOULD BE LACK OF DISCIPLINE OF EC PRODUCERS WHO MUST REFRAIN FROM ALIGNING DOWNWARDS TO MEET IMPORT PRICES, INSUFFICIENT IMPORT PRICE MARGIN, OR TRADE BARRIERS DEVELOPING DUE TO THE SYSTEM'S COMPLEXITY.

6. IF SUPPLIERS FAIL TO LIVE UP TO THEIR END OF THE BARGAIN, THE EC WILL REVERT TO ITS ANTI-DUMPING SAFETY NET UNDER THE BASE PRICE SYSTEM. MORRIS

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Message Attributes

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Disposition Approved on Date:
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